



# Draft finance bill for 2021 – Main tax measures for corporations at a glance

13 October 2020

On 28 September 2020, the French Government presented the draft Finance Bill for 2021. It will be discussed by the French Parliament over the following weeks and may be subject to amendments.

The final version will be enacted by the end of December 2020. This tax alert summarizes the main tax measures that would impact the corporations.

## Corporate Taxation

### • Step up of fixed assets: deferral of taxation

French entities are entitled to proceed to a step up of their assets. Such step up is only limited to tangible and financial assets. In principle, the gain recognized is immediately taxed in the fiscal year during which the step up occurred.

The draft finance bill for 2021 proposes to defer the taxation of the gain in the event of step up depending on the nature of the asset. For depreciable assets, the taxation would be spread over the years of amortization whereas for non depreciable assets the taxation would be deferred until their disposal.

This measure would enter into force for step up occurred during a fiscal year ending as from December 31, 2020 until December 31, 2022.

### • Deferred taxation of the capital gain on sale and lease back of real property

A sale and lease back is a transaction whereby a company owner of real property sells it to a credit institution that leases it immediately after under a financial lease agreement.

The draft finance bill for 2021 provides that the capital gain realized upon the sale of the real estate could be taxed over the financial lease agreement period without exceeding 15 years. This measure would not be applicable to real estate companies.

This measure would enter into force for sale of real estate properties preceded by enforceable promise to sell executed between September 28, 2020 and December 31, 2022.

### • R&D tax credit

The draft finance bill for 2021 envisages to repeal the

favourable measures that were granted to expenses subcontracted to public or similar bodies so that the rules would be aligned with the ones applicable to accredited private providers. Would be therefore repealed (i) the €2m increase in the €10m threshold and (ii) the double counted expenses incurred on R&D works subcontracted to public bodies. These new rules would enter into force for R&D expenses incurred as from January 1, 2022.

Favourable R&D and innovation credit rates granted to enterprise incurring R&D and innovations expenses in Corsica would be decreased. The R&D tax credit rate would be aligned with the standard rate, i.e. at 30%, whereas the innovation tax credit would be decreased from 40% to 35%. This measure would be applicable for qualifying expenses incurred as from January 1, 2020.

The draft finance bill proposes to repeal the possibility to file R&D tax credit ruling to agencies in charge of supporting innovation. As from January 1, 2021, the ruling request would only be submitted to the Ministry responsible for research.

## Value Added Tax

### • Creation of the "VAT group regime" (art. 45)

This optional regime, currently implemented in 20 EU Member States, consists in treating two or more eligible persons presenting financial, economic and organisational links, as a single VAT-taxable person. Transactions realized between VAT group members would be disregarded for VAT purposes, meaning that VAT would not be charged on such supplies of goods and services. The representative member would be responsible for preparing and filing the VAT returns and paying the VAT amount due on behalf of the group. The VAT group would be effective on 1st January 2023. Its implementation will lead to the modification of the scope of Article 261 B of the FTC.

- **Postponement of the entry into force of the e-commerce directive (art. 10)**

The date of entry into force of the reform of the VAT rules on e-commerce is postponed by 6 months. It would be effective on 1st July 2021.

- **Introduction into the Law of the case law principles governing composite transactions (art. 9)**

The case-law principles governing composite transactions (services consisting of several elements governed by different VAT regimes) would be included in a new Article of the FTC (Article 257 ter of the FTC): each operation should be analyzed independently, without being artificially split. A single offer including non-ancillary components with different VAT rates should have the highest VAT rate applied to the whole offer. Exceptions to this principle will be specified and detailed in the Law.

## Local taxes

- **Rate of the contribution for value added (CVAE) (art. 3)**

The CVAE rate would be reduced by 50%: the rate applicable to companies realizing turnover of more than 50 million € would therefore be reduced to 0.75% and the

proportional and progressive tax rate applicable to companies realizing turnover between 500k € and 50 million € would also be reduced by half.

- **Capping of the territorial economic contribution (CET) (art. 3)**

The CET cap, based on added value, would be lowered from 3% to 2%.

- **Accounting valuation of industrial premises (art. 4)**

The interest rates used to determine the accounting rental value of industrial premises would be reduced by 50% from 2021 onwards. Their annual revaluation would take place according to a new pro rata.

- **Land contribution (CFE) exemption (art. 42)**

The creation and extension of establishments could benefit, as of 2021, from a CFE exemption for 3 years.

## Contacts



**Stéphanie Brevost**  
Attorney-at-Law – Partner  
Direct Taxation  
E: sbrevost@avocats-gt.com  
T: +33 (0) 1 41 16 27 02



**Elvire Tardivon-Lorizon**  
Attorney-at-Law – Partner  
Indirect Taxation  
E: etardivon-lorizon@avocats-gt.com  
T: +33 (0) 1 41 16 27 32



**Alexis Martin**  
Attorney-at-Law – Partner  
Direct Taxation  
E: amartin@avocats-gt.com  
T: +33 (0) 1 41 16 27 22



**Thibaut Grange**  
Attorney-at-Law  
Direct Taxation  
E: tgrange@avocats-gt.com  
T: +33 (0) 1 41 16 27 14



**Ivan Gay**  
Attorney-at-Law  
Indirect Taxation  
E: igay@avocats-gt.com  
T: +33 (0) 1 41 16 27 13

**Grant Thornton Société d'Avocats**  
29, rue du Pont  
92200 – Neuilly-sur-Seine, France  
[www.avocats-gt.com](http://www.avocats-gt.com)



### About Grant Thornton Société d'Avocats

Grant Thornton Société d'Avocats supports its clients in all their strategic operations, whether in national or international context through multidisciplinary expertise in all areas of business law. The firm offers national and international customers all required services for the legal, tax and business management of companies.

Grant Thornton Société d'Avocats is a law firm related to Grant Thornton in France, which SAS is a member firm of Grant Thornton International Ltd (GTIL), a global leader in Audit and Advisory services, present in more than 130 countries with over 56,200 employees

© 2020 Grant Thornton Société d'Avocats. All rights reserved. Member of Grant Thornton International Ltd.

NOTE: This memorandum is of a general nature and no decisions should be taken without further advice. Grant Thornton Société d'Avocats shall not accept any legal liability relating to the consequences of any decision or any action taken as a result of the information above. You are encouraged to seek professional advice. We would be happy to discuss the application of any of these changes to your situation.

